

Draft – For Discussion Purposes Only

4/10/06

Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT

Division 240 – Public Service Commission

Chapter 3 – Filing and Reporting Requirements

PROPOSED RULE

4 CSR 240-3.161 Electric Utility Fuel and Purchased Power Adjustment Charges and Interim Energy Charge Mechanisms Filing and Submission Requirements

PURPOSE: This rule sets forth the information that an electric utility must provide when it seeks to establish, change or true-up its rate adjustment mechanism (i.e., fuel and purchased power adjustment clause or interim energy charge.) It also sets forth the requirements for the submission of Surveillance Monitoring Reports as required for electric utilities that have a rate adjustment mechanism.

(1) When an electric utility files to establish a rate adjustment mechanism as described in 4 CSR 240-20.090(2), the electric utility shall file the following supporting information as part of, or in addition to, its direct testimony:

- (A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(2)(C);
- (B) An example customer bill showing how the proposed rate adjustment mechanism shall be separately identified on affected customers' bills in accordance with 4 CSR 240-20.090(9);
- (C) Proposed rate adjustment mechanism rate schedules;
- (D) A general description of the design and intended operation of the proposed rate adjustment mechanism;
- (E) A complete explanation of how the proposed rate adjustment mechanism is reasonably designed to provide the electric utility a sufficient opportunity to earn a fair return on equity;
- (F) A complete explanation of how the proposed rate adjustment mechanism shall be trued-up to reflect over- or under-collections on at least an annual basis;
- (G) A complete description of how the proposed rate adjustment mechanism is compatible with the requirement for prudence reviews;
- (H) A complete explanation of all the costs that shall be considered for recovery under the proposed rate adjustment mechanism and the specific account used for each cost item on the electric utility's books and records;
- (I) A complete explanation of all the revenues that shall be considered in the determination of the amount eligible for recovery under the proposed rate adjustment mechanism and the specific account where each such revenue item is recorded on the electric utility's books and records;
- (J) A complete explanation of any incentive features designed in the proposed rate adjustment mechanism and the expected benefit and cost each feature is intended to produce for the electric utility's shareholders and customers;

- (K) A complete explanation of any rate volatility mitigation features designed in the proposed rate adjustment mechanism;
- (L) A complete explanation of any feature designed into the proposed rate adjustment mechanism or any existing electric utility policy, procedure, or practice that can be relied upon to ensure that only prudent costs shall be eligible for recovery under the proposed rate adjustment mechanism;
- (M) A complete explanation of the specific customer class rate design used to design the proposed rate adjustment mechanism base amount in permanent rates and any subsequent rate adjustments during the term of the proposed rate adjustment mechanism;
- (N) A complete explanation of any change in business risk to the electric utility resulting from implementation of the proposed rate adjustment mechanism in setting the electric utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the electric utility;
- (O) The supply side and demand side resources that the electric utility expects to use to meet its loads in the next four (4) true-up years, the expected dispatch of those resources, the reasons why these resources are appropriate for dispatch and the heat rates and fuel types for each supply side resource;
- (P) Information that shows that the electric utility has in place a long-term resource planning process, an important objective of which is to minimize overall delivered energy costs. The information shall also show that the long-term resource plan is consistent with reliability considerations and has not been found to by the commission to be materially inconsistent with the commission's long-term resource planning requirements for the electric utility;
- (Q) If emissions allowance costs or sales margins are included in the rate adjustment mechanism request and not in the electric utility's environmental cost recovery surcharge, a complete explanation of forecasted environmental investments and allowances purchases and sales; and
- (R) Authorization for the commission staff to release the previous five (5) years of historical surveillance reports submitted to the commission staff by the electric utility to all parties to the case.

(2) When an electric utility files a general rate proceeding following the general rate proceeding that established its rate adjustment mechanism as described by 4 CSR 240-20.090 in which it requests that its rate adjustment mechanism be continued or modified, the electric utility shall file with the commission and serve parties, as provided in sections (8) through (10) in this rule the following supporting information as part of, or in addition to, its direct testimony:

- (A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(3)(C);
- (B) If the electric utility proposes to change the identification of the rate adjustment mechanism on the customer's bill, an example customer bill showing how the proposed rate adjustment mechanism shall be separately identified on affected customers' bills, including the proposed language, in accordance with 4 CSR 240-20.090(3)(C) and (9);
- (C) Proposed rate adjustment mechanism rate schedules;

- (D) A general description of the design and intended operation of the proposed rate adjustment mechanism;
- (E) A complete explanation of how the proposed rate adjustment mechanism is reasonably designed to provide the electric utility a sufficient opportunity to earn a fair return on equity;
- (F) A complete explanation of how the proposed rate adjustment mechanism shall be true-up to reflect over- or under-collections on at least an annual basis;
- (G) A complete description of how the proposed rate adjustment mechanism is compatible with the requirement for prudence reviews;
- (H) A complete explanation of all the costs that shall be considered for recovery under the proposed rate adjustment mechanism and the specific account used for each cost item on the electric utility's books and records;
- (I) A complete explanation of all the revenues that shall be considered in the determination of the amount eligible for recovery under the proposed rate adjustment mechanism and the specific account where each such revenue item is recorded on the electric utility's books and records;
- (J) A complete explanation of any incentive features designed in the proposed rate adjustment mechanism and the expected benefit and cost each feature is intended to produce for the electric utility's shareholders and customers;
- (K) A complete explanation of any rate volatility mitigation features in the proposed rate adjustment mechanism;
- (L) A complete explanation of any feature designed into the proposed rate adjustment mechanism or any existing electric utility policy, procedure, or practice that can be relied upon to ensure that only prudent costs shall be eligible for recovery under the proposed rate adjustment mechanism;
- (M) A complete explanation of the specific customer class rate design used to design the proposed rate adjustment mechanism base amount in permanent rates and any subsequent rate adjustments during the term of the proposed rate adjustment mechanism;
- (N) A complete explanation of any change in business risk to the electric utility resulting from implementation of the proposed rate adjustment mechanism in setting the electric utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the electric utility;
- (O) A description of how responses to (B) through (N) differs from responses to (B) through (N) for the currently approved rate adjustment mechanism; and,
- (P) The supply side and demand side resources that the electric utility expects to use to meet its loads in the next four (4) true-up years, the expected dispatch of those resources, the reasons why these resources are appropriate for dispatch and the heat rates and fuel types for each supply side resource;
- (Q) Information that shows that the electric utility has in place a long-term resource planning process, an important objective of which is to minimize overall delivered energy costs. The information shall also show that the long-term resource plan is consistent with reliability considerations and has not been found to be materially inconsistent with the commission's long-term resource planning requirements for the electric utility;

- (R) If emissions allowance costs or sales margins are included in the rate adjustment mechanism request and not in the electric utility's environmental cost recovery surcharge, a complete explanation of forecasted environmental investments and allowances purchases and sales; and
- (S) Any additional information that may have been ordered by the commission to be provided in the previous general rate proceeding.

(3) When an electric utility files a general rate proceeding following the general rate proceeding that established its rate adjustment mechanism as described in 4 CSR 240 20.090(4) in which it requests that its rate adjustment mechanism be discontinued, the electric utility shall file with the commission and serve parties as provided in sections (8) through (10) in this rule, the following supporting information as part of, or in addition to, its direct testimony:

- (A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(4)(D);
- (B) A complete explanation of how the over-collection or under-collections of the rate adjustment mechanism that the electric utility is proposing to discontinue shall be handled;
- (C) A complete explanation of why the rate adjustment mechanism is no longer necessary to provide the electric utility a sufficient opportunity to earn a fair return on equity;
- (D) A complete explanation of any change in business risk to the electric utility resulting from discontinuation of the adjustment mechanism in setting the electric utility's allowed return, in addition to any other changes in business risk experienced by the electric utility; and,
- (E) Any additional information that may have been ordered by the commission to be provided.

(4) Each electric utility with a rate adjustment mechanism shall submit, with an affidavit attesting to the veracity of the information, the following information on a monthly basis to the Auditing Manager of the commission, the Office of the Public Counsel (OPC) and others, as provided in sections (8) through (10) in this rule. This submittal to the commission may be made through the commission's electronic filing and information system (EFIS). The following information shall be aggregated by month and supplied no later than sixty (60) days after the end of the month being reported on when the rate adjustment mechanism is in effect. The first submission shall be made within sixty (60) days after the end of the first complete month after the rate adjustment mechanism goes into effect. It shall contain, at a minimum:

- (A) The revenues billed pursuant to the rate adjustment mechanism by rate class and voltage level;
- (B) The revenues billed through the electric utility's base rate allowance by rate class and voltage level;
- (C) The electric utility's actual fuel and purchased power costs allocated by rate class and voltage level using commission approved allocation methods;

- (D) All significant factors that have affected the level of rate adjustment mechanism revenues and fuel and purchased power expenses along with workpapers documenting these significant factors;
- (E) The difference, by rate class and voltage level, between the total fuel and purchased power revenues collected through base rates and the rate adjustment mechanism and the fuel and purchased power expenses incurred;
- (F) Off-system sales revenue;
- (G) Off-system sales expenses;
- (H) Off-system megawatt-hour sales;
- (I) Megawatt-hours generated, fuel consumption and expense, and heat rates by generating facility;
- (J) Megawatt-hours purchased with firm and non-firm purchases separately stated;
- (K) Prices of fuel purchased by fuel type breaking out freight and transportation prices;
- (L) The electric utility's monthly fuel report. If the electric utility proposes to change the contents or name of the fuel reports, staff, OPC and others that receive the information will be contacted thirty (30) days in advance of the change and notified of such actions. Staff, OPC and others that receive the information shall have the opportunity to discuss the further availability of such information. Specifically the monthly fuel reports are identified as:
 - 1. Kansas City Power and Light Company Report 25: Fuel Statistics
 - 2. The Empire District Electric Company Fuel Report
 - 3. Aquila Networks - L&P Monthly Production Statistics
 - 4. Aquila Networks - MPS Monthly Production Statistics
 - 5. AmerenUE - *Report to be identified shortly*; and
- (M) Any additional information ordered by the commission to be provided.
- (N) To the extent any of the requested information outlined above is provided in response to one section, the provision of such information only needs to be provided once.

(5) Each electric utility with a rate adjustment mechanism shall submit, with an affidavit attesting to the veracity of the information, a Surveillance Monitoring Report as required in 4 CSR 240-20.090(11) to the Manager of the Auditing Department of the commission, OPC and others as provided in sections (8) through (10) in this rule. The submittal to the commission may be made through EFIS.

(A) There are five (5) parts to the electric utility Surveillance-Monitoring Report. Each part, except Part one (1), Rate Base Quantifications, shall contain information for the last twelve (12) month period and the last quarter data for total company electric operations and Missouri jurisdictional operations. Page one (1), Rate Base Quantifications shall contain only information for the ending date of the period being reported. The form of the Surveillance Monitoring Report is included herein.

1. Rate Base Quantifications Report. The quantification of rate base items on page one (1) shall be consistent with the methods or procedures used in the most recent rate proceeding unless otherwise specified. The report shall consist of specific rate base quantifications of:

A. Plant in service;

- B. Reserve for depreciation;
 - C. Materials & supplies;
 - D. Cash working capital;
 - E. Fuel inventory;
 - F. Prepayments;
 - G. Other regulatory assets;
 - H. Customer advances;
 - I. Customer deposits;
 - J. Accumulated deferred income taxes;
 - K. Any other item included in the utility's rate base in the most recent rate proceeding.
 - L. Net Operating Income from page three (3); and,
 - M. Calculation of the overall return on rate base.
2. Capitalization Quantifications Report. Page two (2) shall consist of specific capitalization quantifications of:
- A. Common stock equity (net);
 - B. Preferred stock (par or stated value outstanding);
 - C. Long-term debt (including current maturities);
 - D. Short-term debt; and,
 - E. Weighted cost of capital including component costs.
3. Income Statement. Page three (3) shall consist of an income statement containing specific quantification of:
- A. Operating revenues to include sales to industrial, commercial and residential customers, sales for resale and other components of total operating revenues;
 - B. Operating & maintenance expenses for fuel expense, production expenses, purchased power energy and capacity;
 - C. Transmission expenses;
 - D. Distribution expenses;
 - E. Customer accounts expenses;
 - F. Customer service and information expenses;
 - G. Sales expenses;
 - H. Administrative and general expenses;
 - I. Depreciation, amortization and decommissioning expense;
 - J. Taxes other than income taxes;
 - K. Income taxes; and,
 - L. Quantification of heating degree and cooling degree days, actual and normal;
4. Jurisdictional Allocation Factor Report. Page four (4) shall consist of a listing of jurisdictional allocation factors for the rate base, capitalization quantification reports and income statement.
5. Financial Data Notes. Page five (5) shall consist of notes to financial data including, but not limited to:
- A. Out of period adjustments;
 - B. Specific quantification of material variances between actual and budget financial performance;

- C. Material variances between current twelve (12) month period and prior twelve (12) month period revenue;
 - D. Expense level of items ordered by the commission to be tracked pursuant to the order establishing the rate adjustment mechanism;
 - E. Budgeted capital projects; and,
 - F. Events that materially affect debt or equity surveillance components.
- (B) The Surveillance Monitoring Report shall contain any additional information ordered by the commission to be provided.
- (C) The electric utility shall annually submit its approved budget, in electronic form, based upon its budget year in a format similar to Surveillance Monitoring Report. The budget submission shall provide a quarterly and annual quantification of the electric utility's income statement. The budget shall be submitted within thirty (30) days of its approval by the electric utility's management or within sixty (60) days of the beginning of the electric utility's fiscal year, whichever is earliest. The budget submission shall be highly confidential.
- (6) When an electric utility files tariff schedules to adjust an FAC rate as described in 4 CSR 240-20.090(5) with the commission, and served upon parties as provided in sections (8) through (10) in this rule, the tariff schedule must be accompanied by supporting testimony, and at least the following supporting information:
- (A) The following information shall be included with the filing:
 - 1. For the period from which historical costs are used to adjust the FAC rate:
 - A. Energy sales in kilowatt-hours by rate class and voltage level;
 - B. Fuel costs by fuel type and generating facility by fuel type included in fuel and purchased power costs in the FAC rate and the base rates;
 - C. Purchased power costs included in fuel and purchased power costs with costs differentiated by:
 - (1) Short-term and long-term purchased power contracts, where long-term is defined as contracts with terms greater than one (1) year;
 - (2) On-peak and off-peak costs; and,
 - (3) Demand and energy costs, separately stated;
 - D. Market purchased megawatt-hours and costs included in fuel and purchased power costs;
 - E. Revenues from, expenses associated with and megawatt-hours from off-system sales;
 - F. Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation or for any other reason;
 - G. Base rate component of fuel and purchased power costs and revenues from off-system sales;
 - H. Any additional requirements ordered by the commission.
 - 2. Calculation of the proposed FAC collection rates;
 - 3. Calculations supporting the voltage differentiation of the FAC collection rates, if any, to account for differences in line losses by voltage level of service; and
 - 4. Calculations underlying any seasonal variation in the FAC collection rates.

(B) Workpapers supporting all items in (A) shall be submitted to the commission, and served upon parties as provided in sections (8) through (10) in this rule. This submittal to the commission may be made through EFIS.

(7) When an electric utility that has a rate adjustment mechanism files its application containing its annual true-up with the commission, as described in 4 CSR 240-20.090(6), any rate schedule filing must be accompanied by supporting testimony, and the electric utility shall:

(A) File the following information with the commission and serve upon parties as provided in sections (8) through (10) in this rule:

1. Amount of costs that it has over-collected or under-collected through the rate adjustment mechanism by rate class and voltage level;
2. Proposed adjustments or refunds by rate class and voltage level;
3. Electric utility's short-term borrowing rate; and
4. Any additional information ordered by the commission.

(B) Submit the following information to the commission and served upon the parties as provided in section (8) through (10) in this rule. This submittal to the commission may be made through EFIS.

1. Workpapers detailing how the determination of the over-collection or under-collection of costs through the rate adjustment mechanism was made including any model inputs and outputs and the derivation of any model inputs;
2. Workpapers detailing the proposed adjustments or refunds;
3. Basis for the electric utility's short-term borrowing rate; and,
4. Any additional information ordered by the commission to be provided.

(8) Providing to Other Parties Items Required to be Filed or Submitted in Preceding Sections (2) through (7). Information required to be filed with the commission or submitted to the Manager of the Auditing Department of the commission and to OPC in sections (2) through (7) shall also be, in the same format, served on or submitted to any party to the related general rate proceeding, periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism, pursuant to a commission protective order unless the commission's protective order provides otherwise.

(9) Party Status and Providing to Other Parties Affidavits, Testimony, Information, Reports and Workpapers in Related Proceedings Subsequent to General Rate Proceeding.

(A) A person or entity granted intervention in a general rate proceeding in which a rate adjustment mechanism is approved by the commission, shall be a party to any subsequent related periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism, without the necessity of applying to the commission for intervention. Affidavits, testimony, information, reports, and workpapers to be filed or submitted in connection with a subsequent related periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism shall be served on or submitted to all parties from the prior related general rate proceeding and on all parties from any subsequent related

periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism concurrently with filing the same with the commission or submitting the same to the Manager of the Auditing Department of the commission and OPC, pursuant to a commission protective order, unless the commission's protective order provides otherwise.

(B) A person or entity not a party to the general rate proceeding in which a rate adjustment mechanism is approved by the commission may apply to the commission for intervention pursuant to the commission's rule on intervention, 4 CSR 240-2.075, respecting any subsequent periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism. If no party to the subsequent periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the rate adjustment mechanism objects within ten (10) days of the filing of an application for intervention, the applicant shall be deemed as having been granted intervention without a commission order issuing, unless within the above-referenced ten (10) day period the commission denies the application for intervention on its own motion. If an objection to the application for intervention is filed on or before the end of the above-referenced ten (10) day period, the commission shall rule on the application and the objection within ten (10) days of the filing of the objection.

(10) Issuance of Protective Orders and Discovery.

(A) An electric utility seeking commission approval of a rate adjustment mechanism shall file a motion for commission issuance of a protective order in the general rate proceeding in which a rate adjustment mechanism is sought by an electric utility. The protective order shall, among other things, provide that the results of discovery may be used in any subsequent periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the same rate adjustment mechanism without a party resubmitting the same discovery requests (data requests, interrogatories, requests for production, requests for admission, or depositions) in the subsequent proceeding to parties that produced the discovery in the general rate proceeding, subject to a ruling by the commission concerning any evidentiary objection made in the subsequent proceeding.

(B) The commission, upon the filing by the electric utility of the first pleading or rate schedule in any subsequent periodic rate adjustment proceeding, annual true-up, prudence review or proceeding to modify, extend or discontinue the same rate adjustment mechanism, shall issue a new protective order, pursuant to 4 CSR 240-2.085, to apply in the proceeding without the necessity of any party applying for a protective order, unless the electric utility files with its first pleading or rate schedule a proposed new protective order for commission consideration. Unless a new protective order proposed by an electric utility or other party, and adopted by the commission, provides otherwise, subsequent protective orders shall authorize use of the results of discovery from any preceding proceeding relating to the same rate adjustment mechanism, without a party resubmitting the same discovery requests (data requests, interrogatories, requests for production, requests for admission, or depositions) in the subsequent proceeding to parties that produced the discovery in

the earlier proceeding, subject to a ruling by the commission concerning any evidentiary objection made in the subsequent proceeding.

(11) Supplementing and Updating Data Requests in Subsequent Related Proceedings. If a party which submitted data requests relating to a proposed rate adjustment mechanism in the general rate proceeding by which the rate adjustment mechanism was established, or in any subsequent related periodic rate adjustment proceeding, annual true-up, prudence review or proceeding to modify, extend or discontinue the rate adjustment mechanism, wants the party to whom the prior data requests were submitted to supplement or update that party's prior responses for possible use in a subsequent related periodic rate adjustment proceeding, annual true-up, prudence review or proceeding to modify, extend or discontinue the rate adjustment mechanism, the party which previously submitted the data request shall submit an additional data request to the party to whom the data requests were previously submitted which clearly identifies the particular data requests to be supplemented or updated and the particular period to be covered by the updated response. A party in response to a request to supplement or update shall supplement or update a data request response from a related general rate proceeding, periodic rate adjustment proceeding, annual true-up, prudence review, or proceeding to modify, extend or discontinue the rate adjustment mechanism that the party has learned or subsequently learns is in some material respect incomplete or incorrect.

(12) Separate Cases For Each Annual True-Up and Each Proceeding to Modify, Extend or Discontinue the Rate Adjustment Mechanism. Commencing with the first periodic rate adjustment filing within the initial twelve (12) month period after the establishment of the rate adjustment mechanism in a general rate proceeding or at the expiration of that 12 month period if there is no periodic rate adjustment filing within the initial twelve (12) month period after the establishment of the rate adjustment mechanism in a general rate proceeding, a case shall be established by the commission for the subject twelve (12) month period comprising the true-up year, for the purpose of receiving the rate adjustment filings and to address the annual true-up and required prudence review for the rate adjustment mechanism established in the general rate proceeding. A separate case shall be established by the commission for each true-up year respecting the rate adjustment mechanism established in the prior general rate proceeding, which shall include any periodic rate adjustments, the annual true-up and a prudence review for the particular twelve (12) month period.

(13) For the purposes of this rule, a rate adjustment mechanism (even if continued in substantially the form approved in the previous general rate proceeding) shall be considered to be a new distinct rate adjustment mechanism after each general rate proceeding required by section 386.266.4(3), RSMo or if it were modified or extended in a general rate case or complaint proceeding.

(14) Right to Discovery Unaffected. In addressing certain discovery matters and the provision of certain information by electric utilities, this rule is not intended to restrict the discovery rights of any party.

(15) Waivers. Provisions of this rule may be waived by the commission for good cause shown.

AUTHORITY: sections 386.250 and 393.140, RSMo 2000, and section 386.266, SB179, effective January 1, 2006.

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than \$500 in the aggregate.

PRIVATE COST: This proposed rule will not cost private entities more than \$500 in the aggregate.

*NOTICE TO SUBMIT COMMENTS AND NOTICE OF PUBLIC HEARING: Anyone may file comments in support of or in opposition to this proposed rule with the Missouri Public Service Commission, Cully Dale, Secretary of the Commission, PO Box 360, Jefferson City, MO 65102. To be considered, comments must be received at the Commission's offices on or before **Month/Day/Year**, and should include a reference to Commission Case No. **EX-2006-####**. If comments are submitted via a paper filing, an original and eight (8) copies of the comments are required. Comments may also be submitted via a filing using the Commission's electronic filing and information system at <<http://www.psc.state.mo.us/efis.asp>>. A public hearing regarding this proposed rule is scheduled for **Month/Day/Year**, at **Time** in Room **???** of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. Interested persons may appear at this hearing to submit additional comments and/or testimony in support of or in opposition to this proposed rule, and may be asked to respond to commission questions. Any persons with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one (1) of the following numbers: Consumer Services Hotline 1-800-392-4211 or TDD Hotline 1-800-829-7541.*